



The perspective of the EU Commission

How to achieve reliable imports of organic products from third countries

ANTI FRAUD WORKSHOP:

"Improving Integrity of Organic Arable Production in Ukraine"
Kyiv, 24-25 September 2015

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Outline

- 1. Overview of alleged fraud cases**
- 2. Commission's proposal for a new regulation**
- 3. Electronic certification**
- 4. Supervision & Surveillance**

1. Overview of alleged fraud cases



1. Overview of alleged fraud cases

Violation of the rules of Regulation 834/2007 detected by the competent authorities for organic production or by other authorities in the Member States and brought up to the Commission's attention.

The intentional nature, together with the financial motivation of the violation of the rules, is the dividing line with other instances of non-compliance with the rules that are indicated as irregularities and infringements in the organic legislation



1. Overview of alleged fraud cases

I. "Gatto con gli stivali"

Facts dated from 2007 to 2011, revealed in December 2011, investigations of the Italian Financial Guard.

Mainly cereals – wheat, corn – as well as soy, broad beans and field beans, fraudulently certified as organic.

The estimated quantity: 700 000 tons, corresponding to a turnover of approximately EUR 200 million.

The products origin was Italy and Romania (FVO audit 2013).

The allegedly fraudulent practices included falsification of organic certificates, production plans and invoices as well as the certification of operators by different control bodies and operators' frequent changes of control bodies.



1. Overview of alleged fraud cases



II. Laying hens

Facts dated from 2007 to 2012. In February 2013 investigations in Germany revealed allegedly fraudulent practices in laying hen holdings in several Länders and the possible involvement of holdings in BE and NL.

The allegedly fraudulent practices pertained to the maximum stocking density of laying hens per poultry shed. Namely, real stocking densities were concealed through double invoicing.

Investigative proceedings ongoing against organic laying hen holdings: about 60 in DE and 2 in NL. According to the competent authorities for organic production investigations on organic laying hen holdings in BE did not show breaches of EU law.

1. Overview of alleged fraud cases

III. Green War

Facts dated from 2010. The case was detected by the control system for organic: it was revealed in April 2013 by investigations by the Italian Ministry of Agriculture, in cooperation with the Financial Guard.

*Mostly cereals and oil grains for both food and feed (in particular soy, corn, soft wheat and flax) that had been allegedly certified in a fraudulent way as organic. They included GMOs and unauthorised substances. Products were imported from Third Countries (Moldova, **Ukraine** and India) via an Italian company based in Malta (FVO audit 2014).*

Significant quantities of products were seized (around 1500 tons of corn from Ukraine and 30 tons of soy from India).

1. Overview of alleged fraud cases

IV. Vertical Bio

Follow-up of the Green War case. The case was detected by the control system for organic: it was brought up in January 2014 by investigations by the Italian Ministry of Agriculture, in cooperation with the Financial Guard.

*Import from Moldova, **Ukraine**, Kazakhstan and India of allegedly fraudulent organic cereals and oil grains for both food and feed. They included GMOs and unauthorised substances.*

Products were imported on the basis of import authorisations granted by Member States (FVO audit in NL, 2014).

The EU customs were alerted about the case as regards the operators, products and countries concerned (notification under the Risk Information Form - RIF system - No EU/2014/006, May 2014).

1. Overview of alleged fraud cases

V. Sunflower products

*Between December 2014 and February 2015, irregularities concerning import into the EU from **Ukraine** of sunflower products used for feed were notified to the Commission. Irregularities, detected through sampling carried out as part of the organic control system. The total volume was 15,000 tonnes.*

The consignments had been certified as organic by a control body recognised by the Commission as equivalent for import and by a control body approved by one Member State.

As part of its investigations, the control body recognised as equivalent indicated that some documents of operators were doubtful or falsified.



1. Overview of alleged fraud cases

V. Sunflower products – Action taken

The Commission launched an alert to EU customs in April 2015 (RIF notification No EU/2015/026).

COM undertook a dedicated and global review of CBs recognised for Ukraine, with a special focus on feed:

- ABs were invited to consider those bodies as a high risk in the framework of their on-the-spot evaluations, surveillance and multi-annual assessment*
- The AB of the equivalent CB investigated and found serious deficiencies in the inspections carried out and a substantial number of infringements, thereby suspending accreditation of this body for EU equivalence.*
- As the CB failed to take adequate corrective measures, COM withdrew it from the list of recognised CBs.*



2. Commission's proposal for a new regulation



2. COM's proposal for a new regulation

Information on the alleged fraud cases contributed to the identification of areas and aspects where efforts should be concentrated:

I. Type of operators

Several alleged fraud cases concerned traders, often part of complex chains with multiple legal entities and/or sub-contractors.

*The COM's proposal sets out that **all operators should be subject to the control system** so as to cover, on a risk-basis, the whole organic chain.*

II. Multiple certification

The fraudulent practices were facilitated, and controls made more difficult, by the certification of operators by more than one CB, combined with the operators' change of CB.

2. COM's proposal for a new regulation

Regulation No 834/2007 does not exclude multiple certifications of operators. COM amended Regulation (EC) No 889/2008 to require the transmission of information.

*The COM's proposal sets out that **operators may not be controlled by different CBs** for the same groups of products.*

III. Traceability

Some of the fraud cases entailed forged certificates that enabled to transform conventional products, already stored at the buyers' premises, into organic. Weaknesses in the verifications of the plausibility of the certified organic quantities were another element that facilitated fraudulent practices.

*COM is actively engaged in the development of an IT system for the **electronic certification**.*

2. COM's proposal for a new regulation

IV. Repeated non-compliance

Some of the cases notified concern operators already concerned by previous alleged cases - while investigations are ongoing.

*The COM's proposal sets out a **fully risk-based approach** to controls → fairer balance of the control pressure on operators, with enhanced focus on those with a higher risk.*

V. "Integrated approach"

Information shows that when it comes to controls by the competent authorities and the fight against fraud, the enforcement needs are the same across the different sectors of the feed and food chain (operators, processes and products need to be controlled across the chain).

2. COM's proposal for a new regulation

V. "Integrated approach" (cont.)

*Bringing together in a **single legal act** all the provisions governing the conduct of official controls along the agri-food chain should enhance clarity of the applicable rules and remove the grey areas, facilitate enforcement of those rules and allow synergies for action, including priority setting.*

The Commission's proposal for a new regulation on official controls includes specific provisions for a more robust control system, better equipped to tackle fraud, for all food and feed sectors:

- Mandatory unannounced official controls specifically targeted at combating food fraud*
- COM may impose coordinated testing programmes*
- Administrative cooperation strengthened to fight cross border violations of the rules and enhance the coordination role of COM*

3. Electronic certification



3. Electronic certification

Why?

- Traceability: some of the fraud cases entailed forged certificates and weaknesses in the verifications of the certified quantities
- Check CB recognition ⇔ TC/product scope
- Less administrative burden for operators and authorities
- Statistical data on organic imports
- Action No 12 of the Action Plan for the Future of Organic Production in the EU (Ref. COM(2014)179 final)
- Council recommendations (Ref. 2011/COU/0201) further to the European Court of Auditors' Special Report No 9/2012
 - The Council invites the Commission, in co-operation with Member States to assess the feasibility of establishing European electronic import certificates in order to facilitate and reinforce the control procedures at EU border.

3. Electronic certification

How?

- DG AGRI/SANTE working together since 2013, with TAXUD, to develop electronic certification for imported organic products under TRAdE Control and Expert System (TRACES)
- A web-based network accessible to all actors involved in generation, issuing and endorsing of electronic certificates
- Accessible: non-stop 24/7
- Secure: password-protected with limited access
- Link to RASFF when health/safety risks



http://ec.europa.eu/food/animal/diseases/traces/index_en.htm
<http://ec.europa.eu/avservices/video/player.cfm?ref=I091404>
(video on TRACES)

3. Electronic certification

When?

- System development: prototype ready
- Tests on prototype during 1st half 2015
 - Competent authorities for organics, other competent authorities (eg. customs, food safety), Control bodies/authorities, importers/first consignees in the EU
- **Target: system in place in 2016**
- Information and training for all operators and stakeholders concerned will follow as appropriate (including through Better Training for Safer Food – BTSF, and/or initiatives for customs)

4. Supervision & Surveillance



4. Supervision & Surveillance

European Commission
+ co-reporting
Member States

Accreditation
DAkkS, COFRAC, Accredia,
IOAS, BELAC, RvA, TURKAK,
SAS, USDA...

Annual
Reports



Reports

Irregularities
EU legislative
framework



Findings / Non-
conformities

Accreditation
standard

Field work and
follow-up
(FVO audits)



Field work and
follow-up
(Witness,
assessment...)

4. Supervision & Surveillance

**European Commission
+ co-reporting
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**Accreditation
DAkkS, COFRAC, Accredia,
IOAS, BELAC, RvA, TURKAK,
SAS, USDA...**



Possible collaboration EC/EA:

- Stock taking exercise
- Annual meetings
- Further exchange of views/trainings dealing with specialised issues
- Participation of EC as observer in ABs' audits

Where appropriate update of the EA guidelines, frequently asked questions, channel for the dissemination of information to accreditation bodies (EA and non-EA members)...

**Seminars (i.e. DAkkS),
BTSF trainings,
RCOP meetings...)**



4. Supervision & Surveillance

Field work and follow-up (FVO audits)



FVO audits in equivalent control bodies

Control Bodies in	Dates of mission	SANTE reference number
China	9-21/10/2013	2013-6951
China	10-23/10/2013	2013-6952
China	9-21/10/2013	2013-6953
Turkey	11-20/03/2014	2014-7123
Vietnam	17-28/11/2014	2014-7097

FVO audits in equivalent third countries

Third Country	Dates of mission	SANTE reference number
India	15-26/10/2012	2012-6571
Tunisia	26/11-07/12/2012	2012-6769
Israel	24/02-07/03/2013	2013-6697
Switzerland	09-19/09/2013	2013-6700
Argentina	17-28/03/2014	2014-7096
Australia	16-27/06/2014	2014-7122

2016:
- 3 Member States
- 1 Third Country
- 5 Control Bodies

Thank you for your attention



<http://ec.europa.eu/agriculture/organic>